RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

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INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 13,500 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community. AIPLA's members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.[1]

AIPLA has no stake in the parties to this litigation or in the result of this case, other than its interest in

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[1] In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the correct and consistent interpretation of the laws affecting intellectual property.[2]

SUMMARY OF ARGUMENT

The constitutionality of the statute authorizing the Patent Trial and Appeal Board ("PTAB") to determine patent validity[3] in its *inter partes* review ("IPR") proceedings cannot be resolved simply by asking whether patent rights are "private rights" that must be adjudicated by an Article III tribunal, or are instead "public rights" that may be adjudicated by a non-Article III tribunal. Such a rigid, binary parsing of the bundle of patent rights is not required by judicial precedent, nor is it what Congress intended when, in 2011, it enacted the Leahy-Smith America Invents Act ("AIA").

Rather, to determine whether Congress acted within the limits of its authority in establishing a non-Article III adjudicatory forum, one must consider the substance of what Congress was seeking to accomplish with the enabling legislation. In the case of the

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[2] AIPLA has the consent of the parties to file this amicus brief, pursuant to Supreme Court Rule 37.3(a), based on letters filed with this Court on July 7, 2017 by Petitioner and on August 11, 2017 by Respondent granting blanket consent to the filing of amicus briefs.

[3] The question presented refers to the Patent and Trademark Office's analysis of the "validity" of existing patents, whereas the issue in *inter partes* review under 35 U.S.C. § 311(b) is "unpatentability," a determination ordinarily associated with the patent application process. While the distinctions surrounding validity and patentability can be important, those distinctions are not relevant here. For consistency with the question presented, we use the term "validity" to describe the issue considered in IPRs.

AIA, Congress sought to take advantage of the Patent and Trademark Office's ("PTO") expertise by authorizing it to revisit and revise earlier patent grants in *inter partes* adjudications with specifically limited criteria and procedures. In creating this authority within the PTO, Congress acted within its right to "promote the progress of the useful arts" under Article I of the Constitution.

ARGUMENT

I. AN ARTICLE I TRIBUNAL'S LIMITED ADJUDICATORY AUTHORITY TO REVIEW PATENT VALIDITY VIOLATES NEITHER THE SEPARATION OF POWERS DOCTRINE NOR THE SEVENTH AMENDMENT

Congress's creation of an adjudicatory process within the Patent and Trademark Office ("PTO") for the limited purpose of reviewing and, if necessary, cancelling improperly issued patents violates neither the Constitution's separation of powers nor its Seventh Amendment guarantee of a right to a jury trial. This administrative adjudication process was a significant part of the extensive patent reform under the AIA. It was enacted to permit expert review of a patent's validity in a quick, efficient and relatively inexpensive process. The legislation establishes procedures specific to the patent review proceeding, and delegates to the agency the authority to promulgate procedural rules adapted to the agency resources and the statutory procedures

The use of a limited adjudicatory process administered by an agency is by no means unique to patent

to a limited regulatory objective within the agency's authority." *Stern v. Marshall*, 131 S. Ct. 2594, 2613 (2011). *See also Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989)("If a statutory right is not closely intertwined with a federal regulatory program Congress has power to enact, and if that right neither belongs to nor exists against the Federal Government, then it must be adjudicated by an Article III court.").

As further explained below, the limited adjudication of patent validity within the expert agency of the PTO is fully authorized by Article I and does not impinge on Article III.

B. Article I Agency Adjudication Does Not Trigger The Seventh Amendment's Right To Jury Trial

Not all adjudications implicate the right to jury trial. In particular, an adjudication that properly takes place in a non-Article III forum is not subject to the Seventh Amendment. *See e.g., Atlas Roofing Co., Inc. v. Occupational Safety and Health Review Comm'n*, 430 U.S. 442, 443 (1977) (holding that the Seventh Amendment does not prevent Congress from assigning the task of adjudicating OSHA violations to an administrative agency); *see also, Block v. Hirsch*, 256 U.S. 135, 155-56 (1921) (upholding commission determination of rent increase as for the public benefit); *NLRB v. Jones & Laughlin Steel Corp.*, 301 U. S. 1, 48-49 (1937) (upholding the award of back pay without jury trial in an NLRB unfair labor practice proceeding).

In deciding whether a right to a jury trial applies in a non-Article III tribunal, this Court considers more

than whether the matter adjudicated is a public right or a private right. The additional considerations include the following:

- Did Congress create the right assigned to the non-Article III tribunal for adjudication?
- Did Congress's reasons for not relying on an Article III court support resolution of the matter by the non-Article III tribunal?
- Is the non-Article III tribunal's jurisdiction limited to specific issues?
- Are the decisions of the non-Article III forum subject to appropriate review by an Article III court?

See Commodity Futures Trading Comm'n ("CFTC") v. Schor, 478 U.S. 833, 851 (1986) (hereinafter, "*Schor*"). The discussion of PTAB adjudications below demonstrates that the foregoing considerations weigh heavily against applying the Seventh Amendment right to a jury trial in proceedings before the PTAB.

II. CONGRESS PROPERLY DELEGATED RESOLUTUION OF PATENT VALIDITY DISPUTES TO THE PTAB

A. Patents Are Property Rights But May Be Properly Classified As "Public Rights" For Article III Analysis

The creation by Congress of the PTAB for reviewing the validity of patents does not conflict with the uniform recognition of a patent as a "property right." It

is erroneous to equate the private property status of patent rights with "private rights" that are governed exclusively in Article III tribunals.

The "property right" character of a patent is confirmed in both the Patent Act and in the case law, both of which highlight the hallmark characteristic of property interests as the right to exclude others. *See* 35 U.S.C. § 154(a)(1) ("Every patent shall contain ... a grant to the patentee ... of the right to exclude others from making, using, offering for sale, or selling the invention...."); *see also Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (holding that patents are property rights secured under the Due Process Clause of the Fourteenth Amendment). A patent also "confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used ... without just compensation ...." *James v. Campbell*, 104 U.S. 356, 358 (1881).

This property right characterization is central to the commodity status and transferability of patents. In 1952, Congress incorporated the private property concept into the patent statute, where it remains to this day. *See* 35 U.S.C. § 261. Following the initial qualifying language, "[s]ubject to the provisions of this title," Section 261 provides that "patents shall have the attributes of personal property." *Id.* Section 261 has been explained as "codify[ing] the case law reaching back to the early American Republics." Adam Mossoff, *Exclusion and Exclusive Use in Patent Law*, 22 HARV. J. L. & TECH. 321, 343-45 (2009).

However, there is no inconsistency in concluding that the source of the patent property right is a public right conferred by federal statute. *See, e.g., Cascades*

Projection LLC v. Epson Am., Inc., 864 F.3d 1309, 1310-12 (Fed. Cir. May 11, 2017) (Dyk, J., concurrence in denial of initial hearing *en banc*, Prost, C.J., Hughes, J., joining in the concurrence). Patents did not exist at common law, and the rights created by Congress are available only upon compliance with strict statutory requirements. *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1850). *See also Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964) ("Patent rights exist only by virtue of statute."); Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. OF SCI. & TECH. L., 1, 34 ("The relevant Article III question is not whether a claim involves private property rights but rather what the source of those rights is.") (forthcoming). Moreover, the PTAB's consideration of issues of patent validity does not preclude patent validity consideration by the judiciary in traditional patent enforcement litigation. Where such issues arise in infringement litigation, the Article III court is empowered to resolve them as part of providing complete relief to the parties in the dispute. *See Cardinal Chem. Co. v. Morton Int'l Inc.*, 508 U.S. 83, 101 (1993) (emphasizing the "strong public interest in the finality of judgments in patent litigation," and overruling the Federal Circuit's practice of reversing district court invalidity decisions on appeal if the district court's non-infringement ruling is affirmed).

Nonetheless, since the Patent Act of 1836, the PTO has had limited authority to resolve patent validity disputes that are brought before it.[5] Patent Act of

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[5] Patent Act of 1836, Pub. L. No. 24-357, § 12, 5 Stat. 117, 120-21 (1836) (setting up interference proceedings). In an interference proceeding, the PTO determines an inventor's priority of

1836, Pub. L. No. 24-357, § 8, 5 Stat. 117, 120-21 (1836). Since 1999, with the implementation of the *inter pates* reexamination process, a board of administrative law judges at the PTO has had the authority to resolve questions related to patent validity pursued by third parties adverse to the patentee. American Inventors Protection Act, Public Law 106-113 (1999).

Hence, Congress's creation of the PTAB within the PTO for resolution of patent validity issues follows a long history of resolving such issues within the agency. In enacting the AIA, Congress amended several sections of the patent statute relating to the grant and enforcement of a patent, and revised the long-standing practice of reexamining issued patents by creating three new procedures for implementation by the PTAB. *See* 35 U.S.C. §§311 *et seq.* (*inter partes* review), 321 *et seq.* (post-grant review), and §18 of the AIA (covered business method patent review).[6] These

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invention as compared to a second inventor claiming the same invention. The losing inventor forfeits his patent rights. While the first interference statutes permitted the PTO to make the determination of lack of priority, they required a supplemental district court proceeding to cancel the patent. *See, e.g.*, Patent Act of 1836, § 12. With the Patent Act of 1952, the PTO was given the power to cancel patent claims. *See* 35 U.S.C. § 135 (1952); *see also* P. J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK SOC. 151, 198 (1993) (noting that PTO cancellation of the claims "is new in substance [in the 1952 Act] and is made possible by the amplification of the right of review of the patentee provided for in section 146," relating to civil actions).

[6] *Inter partes* review provides for review by the PTAB of any issued patent based on limited statutory sections. 35 U.S.C. § 319. Post-grant review provides for review by the PTAB of newly-issued patents up to nine months after the date of issuance on limited statutory sections. 35 U.S.C. § 321(c). Covered

provisions of the AIA are tailored to respect the separation of powers doctrine and to provide appropriate limited adjudicatory rights to the PTAB, consistent with Article III Court oversight.

B. Patent Rights Are Properly Subject To Article I Adjudication

From the first Patent Act to the present implementation of the AIA, Congress has enacted statutes with strict conditions and requirements for conferring the exclusive rights under a patent. *See Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) ("Within the scope established by the Constitution, Congress may set out conditions and tests for patentability"). This Court's precedent provides that:

> when Congress creates a substantive federal right, it possesses substantial discretion to prescribe the manner in which that right may be adjudicated ... [including] provid[ing] that persons seeking to vindicate that right must do so before particular tribunals created to perform the specialized adjudicative tasks related to that right.

Northern Pipeline Construction Co. v. Marathon Pipe Line Co., 458 U.S. 50, 80, 83 (1982) (plurality). The power to determine how disputes within its statutory right are resolved is "incidental to Congress's power to define the right that it has created." *Id.* at 83. Thus, Congress's enactment of the Patent Statute and

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Business Method is limited to review by the PTAB of patents that claim business methods. 35 U.S.C. § 321.

hence, resolution of patent rights pursuant to its Article I powers, strongly supports the conclusion that Congress may apportion limited adjudication to the agency responsible for managing the grant of rights. *See, e.g.*, Reilly, 23 B.U. J. OF SCI. & TECH. L. at 34.

In this respect, the "public right" / "private right" dichotomy to determine the limits of legislative tribunals fails because it ignores Congressional discretion to prescribe modes of relief in the laws it enacts. For example, in *Block v. Hirsh*, this Court addressed a land owner's exclusive possession of his property. 256 U.S. at 153. There, the owner tried to recover possession of his property after a tenant refused to vacate at the end of his lease. *Id.* Even though real property disputes between two parties are the epitome of private rights, this Court upheld Congress's creation of an administrative commission to determine both the right of possession and the appropriate amount of rent. *Id.* at 157-58.

In several other cases, this Court also has held that claims involving private property interests are appropriately adjudicated by non-Article III forums when created by federal statute. *See, e.g., Stern*, 564 U.S. at 498-99 (upholding non-Article III adjudication in bankruptcy cases that involved a "right of recovery created by federal bankruptcy law"); *Thomas*, 473 U.S. at 586 (upholding resolution of disputes between pesticide manufactures in non-Article III forum); *Crowell*, 285 U.S. at 58 (1932) (upholding agency adjudication when the right to compensation for injuries sustained on navigable waters was created by federal law). Thus, where, as here, Congress has created rights pursuant to its Article I power, such creation

provides a strong indication that Congress also can assign adjudication of those rights to an expert agency. *See, e.g.*, Reilly, 23 B.U. J. OF SCI. & TECH. L. at 32.

This Court's decision in *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898) is not to the contrary. *McCormick* dealt with the patent reissue statute in effect at the time, which required the patent owner to surrender the original patent in order for the reissue patent to take effect and hence for the original patent to be canceled. *McCormick*, 169 U.S. at 610. When the patent owner failed to surrender the original patent, *McCormick* held that only the courts, and not the PTO, had the authority to set aside a patent, based on the language of the reissue statute. *Id.*

As pointed out by the Federal Circuit, *McCormick* was based on a statutory challenge rather than a constitutional challenge. *See, e.g.*, *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), *cert denied* 137 S. Ct. 292 (2016). Because the source of the rights at issue was the patent reissue statute of 1878,[7] the *McCormick* decision accords with the line of cases that defer to Congress's choice in implementing the statutory rights it has created. *See, e.g.*, *Crowell*, 285 U.S. at 58; *Thomas*, 473 U.S. at 573, *Schor*, 478 U.S. at 851; *see also*, *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604, 606 (Fed. Cir. 1985) (considering constitutionality of the *ex parte* reexamination statute); *MCM Portfolio*, 812 F.3d at 1291 (considering the constitutionality of patent invalidation by the PTAB in an IPR proceeding); *Cascades Projection.*, 864 F.3d

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[7] Act of July 8, 1870, c. 230, § 53, 16 Stat. 205; Rev. Stat. § 4916.

at 1310-12 (Fed. Cir. May 11, 2017) (Dyk, J., concurrence in denial of hearing *en banc*, Prost, C.J., Hughes, J., joining in the concurrence).

C. The AIA Proceedings Advance The Patent Office's Expert Regulatory Function Of Evaluating and Issuing Patents

This Court has confirmed that Congress is entitled under Article I of the Constitution to create tribunals that can adjudicate claims that derive "from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency's authority." *Stern*, 131 S. Ct. at 2613 (2011).

Patent law is plainly "a federal regulatory scheme," considering not only the exclusively federal source of the patent right and the exclusive adjudicatory authority over the enforcement of those rights. It is also plain that patent law includes an extensive regulatory program designed to achieve "a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the "Progress of Science and useful Arts." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

Moreover, the PTO is an expert agency responsible for examining patent applications and issuing patent claims that survive the scrutiny of examination. The Patent Office has long maintained procedures for an administrative "second look" at its decisions to grant patents, and since at least 1980, the Patent Office also

has had the authority to reexamine and cancel a patent claim that it previously allowed.[8] *See, e.g., Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). Through various iterations, that authority has expanded to its current scope in IPR proceedings. *See, e.g., Cuozzo*, 136 S. Ct. at 2137-2138 (walking through statutory iterations from *ex parte* reexamination through *inter partes* review).

With respect to the AIA IPR provisions, one important objective was to expand the PTO's power to revisit and revise earlier patent grants in order to improve the overall patent system. *See id.* at 2140, citing H.R. Rep. No. 112-98, pt. 1, pp. 45, 58 (2011) (H.R. Rep.) (explaining the AIA statute seeks to "improve patent quality and restore confidence in the presumption of validity that comes with issued patents"); 157 Cong. Rec. 9778 (2011) (remarks of Rep. Goodlatte) (noting that IPR is meant to "screen out bad patents while bolstering valid ones").

Congress created the PTAB administrative adjudicatory body to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs, while making sure no party's access to court is denied." AIA, H.R. Rep. 1249 (2011) (remarks of Sen. Leahy); *see also Schor*, 478 U.S. at 855 (stating purpose of CFTC). The recognition of a need for "an inexpensive and expeditious alternative forum" to promote the progress of the useful arts supports Congress's decision to depart from an Article III forum.

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[8] *See* Patent Act of 1952, 35 U.S.C. § 135, *see supra*, n.3.

Schor, 478 at 855. Instead of trying to undermine Article III with this procedure, Congress attempted to "ensure the effectiveness of th[e] scheme" it created pursuant to its Article I powers. *Id.* at 256; *see also* Reilly, 23 B.U. J. OF SCI. & TECH. L. at 45.

D. PTAB Adjudication Applies Only To A Limited Subset of Issues Within The Specialized Area Of Patent Law

The adjudication conducted by the PTAB in *inter partes* review is subject to a variety of significant limitations. The PTAB's IPR proceeding is concerned only with patent validity, not infringement, and even its validity determination is limited:

> A petitioner in an inter partes review may request to cancel as unpatentable 1 [one] or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

35 U.S.C. § 311(b).[9] Confining the PTAB to validity issues of novelty and nonobviousness under Sections 102 and 103, respectively, based on prior art patents and printed publications stands in sharp contrast to the expansive scope of issues that could be considered by the bankruptcy courts analyzed in *Northern Pipeline*. *See Northern Pipeline*, 458 U.S. at 83 (holding

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[9] Statutory invalidity defenses that are not covered by the PTAB's inter partes review authority include 35 U.S.C. §§ 101 (patent eligible subject matter) and 112 (requirements of the patent specification).

that Art. III bars Congress from establishing legislative courts to exercise jurisdiction over all matters arising under the bankruptcy laws). Instead, the PTAB post-issuance review proceedings are "limited to a 'particularized area of law,' as in *Crowell, Thomas,* and *Schor*." *Stern*, 564 U.S. at 493. The PTAB's jurisdiction also is limited by specific timing requirements: under Section 315(b), an IPR petition must be filed within a year of receiving notice of infringement litigation, and under Section 316(11) the IPR proceeding must be concluded within 12 months of institution.

In sum, through its establishment of the IPR proceeding, Congress focused on "making effective a specific and limited federal regulatory scheme," *Schor*, 478 U.S. at 855; "i.e., the Patent Office's basic regulatory role in limiting patent rights to the permissible scope ... authorized by the ... Patent Act." Reilly, 23 B.U. J. OF SCI. & TECH. L. at 45.

E. Article III Courts Retain Full Appellate Review Of PTAB Decisions, Thereby Respecting The Separation of Powers Doctrine

In reviewing the constitutionality of Congressional delegations of adjudicatory authority to a non-Article III tribunal, this Court's precedent considers the availability of Article III review of those tribunals' decisions. *See, e.g., Thomas*, 473 U.S. at 592, citing *Crowell*, 285 U.S. at 54 (holding that judicial review of agency adjudication afforded by statute including review of matters of law, "provides for the appropriate exercise of the judicial function ...").

For example, in *Thomas*, a pesticide manufacturer challenged the constitutionality Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"). According to the manufacturer, FIFRA violated Article III by allocating to arbitrators the functions of the judiciary and by limiting Article III review. This Court held, however, that Article III did not prohibit Congress from selecting a non-Article III forum with limited judicial review as the mechanism for resolving disputes in Congress's statutory scheme, regardless of the private nature of the disputes between pesticide companies. *Id.* at 590. According to the Court, "many matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts." *Id.* at 583.

The IPR proceedings at issue in this case are subject to a more thorough Article III review of the expert agency decision. The statute provides for appellate review by the Federal Circuit Court of Appeals under the Administrative Procedure Act standards. *See* 5 U.S.C. § 706 (scope of appellate review of agency final decision). Specifically, legal determinations are reviewed *de novo* and factual determinations are reviewed for substantial evidence. 5 U.S.C. § 706(2)(D), (E). In addition, the IPR proceedings do not preclude a determination by an Article III court in a corresponding infringement action. The defendant in such an action has the right to choose the IPR proceeding initially over validity adjudication in an Article III court, and it is within the Article III court's discretion to stay its own proceedings in view of an IPR proceeding. *Clinton v. Jones*, 520 U.S. 681, 706 (1997) ("The

District Court has broad discretion to stay proceedings as an incident to its power to control its own docket.").

Congress's limited delegation of authority to the PTO to resolve specific validity issues with appellate review by the Federal Circuit is thus appropriate in this statutory scheme. *See Thomas*, 473 U.S. at 593; *see also Crowell*, 285 U.S. at 51.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that this Court confirm the constitutionality of the PTO's *inter partes* review process.

Respectfully submitted,

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